

CITY COUNCIL MEETING MONDAY, JANUARY 26, 2009

A regular meeting of City Council was held on the above date for the transaction of general business.

Vaughn D. Spencer, President of Council, called the meeting to order.

The invocation was given by Pastor Mohamid Sala from the Islamic Center of Reading.

All present pledged to the flag.

ATTENDANCE

Council President Spencer
Councilor Fuhs, District 1
Councilor Goodman-Hinnershitz, District 2
Councilor Sterner, District 3
Councilor Marmarou, District 4
Councilor Baez, District 5
Councilor Waltman, District 6
Mayor T. McMahon
City Auditor D. Cituk
City Solicitor C. Younger
City Clerk L. Kelleher
Sgt at Arms Capt R. Shafer
Managing Director Hottenstein
Fire Chief W. Rehr
Police Chief W. Heim
Deputy Fire Chiefs
IAFF President Firefighter Keith Eschleman

PROCLAMATIONS AND PRESENTATIONS

A Mayoral Proclamation was issued in recognition of the book drive for Greater Reading's Cops 'N Kids program, accepted by Julie Blatt and Nicole Crystal of Barnes and Noble Booksellers, Wyomissing

STATE OF THE CITY ADDRESS

Mayor McMahon gave the State of the City address, summarizing the Administration's 2008 accomplishments. A copy of the address is attached.

PUBLIC COMMENT

Council President Spencer announced that 3 citizens were registered to address Council on non-agenda matters. He inquired if Council objected to suspending the rule requiring comment on non-agenda matters at the end of the meeting. No one objected, therefore, the rule requiring non-agenda comment at the end of the meeting was suspended. Council President Spencer reminded those registered to speak about the remaining speaking rules.

Greg Knies, Vice-President of the Reading Public Library Board of Directors and a member of the Library's Board of Trustees, expressed the Library Board's opposition to the Administration's staff reductions totaling approximately \$100,000, representing 18.4% of the Library's budget. He stated that this reduction is much larger than that applied to other City Departments. He noted that the Managing Director announced that this is not the last of the cuts for the 2009 calendar year. He noted that the Reading Public Library is the County's district library. The inability of the library to meet State mandates will result in further funding reductions which will cause the collapse of the Reading Public Library. He reminded all that the Library is a valuable community resource that supports City and County residents.

Maryann Ciarlone, of North 5th Street, stated that she has not yet received the information she requested regarding Codes inspections. She stated that the Property Maintenance Code requires Codes staff to post the properties scheduled for inspection. She announced that she will come and request this information weekly. She stated that the Codes Office does not comply with the new State Right to Know requirements. She expressed the belief that the old adage "Don't Trust City Hall" has merit.

Gary Boyer, of Linden Street, described the quality of life problems that are caused by the tenants at 1416 Linden Street, who keep their 4 dogs (3 pit bulls and 1 Mastiff), penned outside, day and night. He stated that the dogs bark loudly and disrupt his sleep every night. He reported that he spoke with his neighbor about the problem but the neighbor has not cooperated. He requested the City's assistance.

APPROVAL OF AGENDA

Council President Spencer asked Council to consider the agenda for this meeting including the legislation listed under the consent agenda heading.

Councilor Sterner moved, seconded by Councilor Baez, to approve the agenda and the legislation listed under the Consent Agenda heading. The motion was approved unanimously.

CONSENT AGENDA

Resolution No. 5-2009 - authorizing the DCED application for \$5,000,000 from the Federal Neighborhood Stabilization Program to address the acquisition, demolition and/or rehabilitation of blighted and foreclosed properties (**CD Department**)

ADMINISTRATIVE REPORT

Due to the State of the City Address, a report was not issued.

AUDITOR'S REPORT

City Auditor Dave Cituk read the report distributed to Council at the meeting covering the following topics:

- Year end figures of the 2008 Admissions Fee
- Year end figures of the 2008 Transfer Tax

Councilor Sterner asked the Auditor what was budgeted for Transfer Tax revenue in the 2009 Budget. The Auditor stated that \$5,000,000 was budgeted for the Transfer Tax in the 2009 Budget.

ORDINANCES FOR FINAL PASSAGE

Bill No. 1-2009 - amending the Code of Ordinances of the City of Reading, Berks County, Pennsylvania, fee schedule, administrative fees, public record fees (**Council staff**) ***Introduced at the January 12 regular meeting***

Councilor Waltman moved, seconded by Councilor Baez, to enact Bill No. 1-2009.

Bill 1-2009 was enacted by the following vote:

Yea: Baez, Fuhs, Goodman-Hinnershitz, Marmarou, Sterner, Waltman,
Spencer President – 7.

Nay: None – 0.

Bill No. 2-2009 – authorizing the transfer of \$248,000 from the Self Insurance Fund Water/Sewer Main Break line item #52-11-00-4517 into the Incurred Liability Claims line item #52-11-00-4749 **(Human Resources)** *Introduced at the January 12 regular meeting*

Councilor Goodman-Hinnershitz moved, seconded by Councilor Baez, to enact Bill No. 2-2009.

Bill 2-2009 was enacted by the following vote:

Yea: Baez, Fuhs, Goodman-Hinnershitz, Marmarou, Sterner, Waltman,
Spencer President – 7.

Nay: None – 0.

Bill No. 3-2009 - amending the City of Reading Codified Ordinances Chapter 1 Administration and Government, Part 1 Administrative Code, Section 1-185 – 9 C Annual Budget – Budget Organization and Content **(Council Pres Spencer)** *Introduced at the January 12 regular meeting*

Councilor Fuhs moved, seconded by Councilor Sterner, to enact Bill No. 3-2009.

Council President Spencer stated that this amendment will require the insertion of management salaries in the Full Time Position Ordinance. He stated that this will prevent the Administration from providing salary increases outside the standard parameters.

Bill 3-2009 was enacted by the following vote:

Yea: Baez, Fuhs, Goodman-Hinnershitz, Marmarou, Sterner, Waltman,
Spencer President – 7.

Nay: None – 0.

Bill No. 4-2009 - amending The Codified Ordinances Of The City Of Reading Chapter 1 – Section 1-186, 3, G by adding a new (3) requiring Council approval for all expenditures made from any and all Agency Funds and any and all line items and allocations made in the “Department: Non-Departmental” area of the General Fund Budget (**Council President Spencer**) *Introduced at the January 12 regular meeting*

Councilor Waltman moved, seconded by Councilor Baez, to table Bill No. 4-2009.

Bill 4-2009 was tabled by the following vote:

Yea: Baez, Goodman-Hinnershitz, Marmarou, Sterner, Waltman,
Spencer President – 6.

Nay: Fuhs - 1.

Bill No. 5-2009 - amending the City of Reading organizational chart as follows: adding the Division of Codes Services to the Department of Police; adding the Divisions of Information and Technology and Call Center to the Department of Finance; adding the Division of Zoning and Trades to the Department of Community Development; eliminating the Office of Neighborhood Development under the Managing Director (**Managing Director**) *Introduced at the January 12 regular meeting*

Councilor Marmarou moved, seconded by Councilor Sterner, to enact Bill No. 5-2009.

Bill 5-2009 was enacted by the following vote:

Yea: Baez, Fuhs, Goodman-Hinnershitz, Marmarou, Sterner, Waltman –
6.

Nay: Spencer President - 1

Bill No. 6-2009 – Amending the City of Reading Codified Ordinances Chapter 10 Part 17 Sidewalk Vendors (**Council Staff/Law**) *Referred to focus group in October 2008, focus group sessions completed 1-21-09; Introduced at the January 12 regular meeting*

Councilor Goodman-Hinnershitz moved, seconded by Councilor Marmarou, to enact Bill No. 6-2009.

Councilor Goodman-Hinnershitz expressed her belief in the process used to refine the proposed amendment to the Sidewalk Vendor Ordinance. She stated that numerous meetings were held with the affected vendors, other parties and City staff. She noted that the Sidewalk Vendor Ordinance does not apply to vendors operating on private property like a parking lot. Vendors operating on private property must apply for a zoning permit.

Council President Spencer also thanked City Staff - Codes representatives, Ms. Butler from the Solicitor's Office and Council staff - for their work to refine the ordinance and decipher the requirements for vendors operating on private property.

Bill 6-2009 was enacted by the following vote:

Yea: Baez, Fuhs, Goodman-Hinnershitz, Marmarou, Sterner, Waltman – 6.

Nay: Spencer President - 1

**Pending
Advertisement and Public Hearing Required by MPC
Notice of Pending Ordinance Doctrine**

Ordinance - to adopt an amendment to the Zoning Ordinance under the authority of the Pennsylvania Municipalities Planning Code, which adds a Planned Residential Development (PRD) overlay called the “RR Riverfront Redevelopment Overlay Zoning District” and to apply the new district to lands from the centerline of the Schuylkill River to areas to the east and northeast of the river, including areas generally south and southwest of Franklin St, along both sides of S. 2nd St. and Riverfront Dr., and along both sides of Canal Street including areas south of Laurel St., south of Willow St., west of S. 7th St. and north of South St. and as shown in more detail on the attached RR zoning overlay district map **(Solicitor) Introduced at the December 8 regular meeting; public hearing held January 8**

Ordinance - amending the City of Reading Code of Ordinances Chapter 27 Zoning by creating a new section in Part 11 Additional Requirements for Specific Uses of Zoning Districts by placing requirements for the rental of single family homes in areas zoned R-1, R-1a and R-2 and amending the definitions section **(Council Staff)**

INTRODUCTION OF NEW ORDINANCES

Council President Spencer read the following Ordinances into the record:

Ordinance – increasing the salary of the Police Chief to \$108,957.13, a 4% increase, per annum retroactive to January 23, 2009 **(Managing Director)**

Ordinance – amending the full time position ordinance by creating the position of Gun Safety Coordinator in the Mayor's Office **(Managing Director)**

RESOLUTIONS

Resolution 6-2009 – appointing Brian Bingaman to the Planning Commission **(Admin Oversight)**

Resolution No. 7-2009 – appointing Lori Knockstead to the Stadium Commission **(Admin Oversight)**

Resolution No. 8-2009 – appointing Robert Fegley to the Plumbing Board **(Admin Oversight)**

Resolution No. 9-2009 – appointing Henriette Alban to the Library Board of Trustees **(Admin Oversight)**

Resolution No. 10-2009 – appointing Raymond Schuenemann III to the Water Authority **(Admin Oversight)**

The Administrative Oversight Committee moved to adopt Resolutions 6 through 10-2009.

Councilor Marmarou noted the quality and skill of the individuals appointed tonight. He stated that Ms. Knockstead is the first female ever appointed to the Stadium Commission. He also noted the enthusiasm and commitment of all being appointed this evening.

Resolution 6 through 10-2009 were adopted by the following vote:

Yea: Baez, Fuhs, Goodman-Hinnershitz, Marmarou, Sterner, Waltman, Spencer President – 7.

Nay: None - 0.

COUNCIL COMMENT

Councilor Fuhs wished everyone a Happy Chinese New Year. He stated that this year is the year of the ox.

Councilor Fuhs also thanked the Mayor for the State of the City report. He extended an invitation to the City's three collective bargaining units to participate on the Blue Ribbon Panel and in budget discussions over the course of the year.

Councilor Fuhs announced the Reading LRA public meeting on the reuse of the Navy Marine Center on Wednesday, January 28th at 7 p.m. at the 7th Day Adventist Church. He encouraged all citizens to participate and provide input at this meeting. He also noted the upcoming second PRD Public Hearing scheduled for Wednesday, February 18th at 5 p.m. in Council Chambers. He stated that the second hearing is being properly advertised in accordance with the Pa MPC.

Councilor Fuhs also noted that Council District seats 1, 4, and 5 and the President of Council seat are up for election in 2009, along with various County row office seats and Reading School Board seats. He stressed the need for citizen participation in this election.

Councilor Baez stated that she and local artist Ed Terrell will appear on the In Your District program on Thursday, February 5th at 8 p.m. on the BCTV MAC Channel.

Councilor Baez also noted the upcoming town meeting in the Riverside area at the end of February.

Councilor Sterner noted the importance of the Reading Public Library in the Reading community. He noted the County's repeated refusal to increase their annual contribution negotiated in 2000. He questioned the County's interest in real regionalization as they will not consider increasing their contribution for this critical program.

Councilor Sterner announced the upcoming community meetings:

- Crime Watch meeting on Wednesday the 28th at 6:30 p.m. at 13th and Green
- St Marks Community Group meeting on Wednesday the 28th at

6:30 p.m.

Councilor Marmarou requested that the Police Department assist Mr. Boyer's quality of life problems with the tenant at 1416 Linden Street. He stated that he would visit the property and provide a report.

Councilor Goodman-Hinnershitz noted the difficulties all operations have experienced due to the required budget reductions. She agreed that the County should increase their contribution to the Library's operations, as the amount negotiated almost 10 years ago was a minimum. She noted the important core services provided by the Library system.

Councilor Goodman-Hinnershitz agreed that Reading residents should consider running for the various positions up for election in the coming months. She also noted that citizens can volunteer to serve on the City's Boards, Authorities and Commissions.

Councilor Waltman thanked the Mayor for the State of the City report. He noted the various impact on several City departments and the need for all to work to define the City's core services.

Councilor Waltman noted his surprise when he learned that the Administration will fine those who warm up their vehicles and do not stay with their vehicle. He expressed hope the police officers will use a great deal of discretion before issuing a citation for this infraction, especially during cold weather months.

Councilor Waltman stated that it seems that City Council is usually targeted and blamed for some failings of the City and some policy agreements with the Administration. He noted Councils' continued work to find compromise. He noted his hope that before publicly criticizing City Council, people will discuss their concerns with Councilors.

Council President Spencer inquired if the Administration instructed the Library to reduce expenses by 18.4%. Mr. Hottenstein did not respond. Mr. Knies, from the audience, affirmed. Council President Spencer inquired if the Director of the Library was consulted before these cuts were made. Mr. Kasproicz stated that he was told to prepare a reduction plan for 4% and 8%. He stated that cutting one full time position represents 10% of the Library's budget. The second reduction made by the Administration increases the reduction percentage to almost 20%.

Council President Spencer inquired why Ms. Ciarlone's request for information was ignored. Mr. Hottenstein explained the procedure.

Council President Spencer inquired if dog barking is included in either the Noise Ordinance or the Animal Control Ordinance. Captain Shafer stated that research is required.

Council President Spencer reviewed the upcoming meeting schedule.

Councilor Marmarou moved, seconded by Councilor Fuhs, to adjourn the regular meeting of Council.

Linda Kelleher
City Clerk

**Office Of The Mayor
Thomas M. McMahon**

**State of the City Report
January 26, 2009**

Good evening. I want to thank City Council for delaying their meeting tonight so I can share with you the state of the City of Reading as we enter 2009.

As we begin, there are many people to thank: City workers, many of whom have served this City well for decades; the Managing Director, Directors and Department Heads and their staffs for helping organize the financial information; County Commissioners, State and Federal officials, the business community, and everyone in the City and beyond who has an interest in seeing that the City of Reading stays viable. I also want to thank City Council for their hard work to analyze the financial situation, offer ideas, and work with the administration.

It takes a team to run a city, and I am proud of our workers, who often do not get recognized for the work they do. Many people feel that public sector jobs are guaranteed for life and governments don't work to meet the bottom line.

Like the private sector though, Government must continue to operate with fewer resources and that may well be reflected in fewer positions in the future. Job vacancies are an opportunity to become more efficient with the remaining staff and each vacancy in the future will be examined to determine if replacement is necessary.

I am not going to sugar coat this message. I will tell you about the progress we have made, the challenges we face, how we got to where we are, and what I think we will need to do in the short and long term to regain our financial footing.

Reading is not an island, it is the core of the community and as such it cannot be neglected.

If Reading fails, Greater Reading fails, and we all will have failed. It is that simple. But for some people it is a hard notion to accept.

I am committed to do everything I can to ensure that does not happen but I cannot do it alone. I need the help of everyone I thanked above to help make the changes we need to become a sustained viable city.

Over the past 262 years, the City of Reading has seen and survived many challenges. From the demise of the coal transport business, locomotive and automobile manufacturing, knitting mills, to the more recent high tech industries, we have seen many of them rise, prosper, then fade away.

We, along with many other communities, have been left with jobs that don't pay as well, which makes it harder to survive as families and as viable municipalities.

But in Reading and Greater Reading we are still innovative, we have great educational resources, a competent work force, great location, and excellent quality of life.

While we celebrate our past, we are encumbered by it as well. Multiple and overlapping governments, school districts, police forces, fire departments and fire stations, water and sewer plants, and all cost taxpayers more than is necessary. I believe consolidation or greatly increased regional cooperation is essential, but we all know that change does not come easily to our area.

Necessity is the mother of invention and we are now in the necessity phase.

Let me turn now to some good news, to what we have accomplished over the past year, and what you will see in the coming year.

Public Safety Progress in 2008

We've made great progress in public safety over the past five years, a trend I'm proud to announce continued in 2008. We will continue and expand our efforts to create a safe city for citizens and visitors alike.

Over the past two years the good news is that we have had nearly 50% reduction in the number of homicides. The number of people shot has been on a downward trend.

Our vehicle thefts are down thanks to our Auto Theft Task Force, the help of the PA Auto Theft Prevention Authority, and the District Attorney's office.

The VIPER detail in the Police Department, with the support of patrol officers, criminal investigators, and senior staff, are coordinating efforts very well.

Overall, our Part 1 crime (serious category) has declined by 16%;

The Police Department investigated and successfully prosecuted several high profile murder cases, including the killing of McDonald's employee Shawnee Koch, and the in-the-line-of-duty murder of Officer Scott Wertz, for which the death penalty was imposed on Cletus Rivera.

Twenty-two cameras are now operational in the downtown area to help interdict crime and to document evidence for the courts when a crime occurs. More will be deployed in other locations throughout the city. Several arrests have already been made by having the cameras.

The Canine Corps is in street training now to help the safety of our law enforcement personnel and to assist in drug enforcement actions.

Chief Heim has become well-versed in the subject of crime prevention through environmental design, and is willing to address any neighborhood, church or service group about how you can better protect yourself.

On January 14, 2009, the Reading Eagle printed two stories on how to protect your home. Links to those articles can be found at the end of this report.

In 2009, using Drug Forfeiture funds, the police will institute high visibility patrols, drug investigations, and quality of life enforcement details in crime-challenged neighborhoods.

We will also be launching the "Opportunity for Change" program, modeled after a similar successful project in High Point, NC, and other cities to combat juvenile crime and reduce gang activity.

With the reorganization of the property maintenance inspector functions of Codes to the Police Department, the team of police and codes will be stepping up their investigations into problem properties in the city.

In 2009, I have asked the PMI/Police team to create a vastly improved information system regarding the rental property inspections, including streamlining the procedures for regulating rental housing, and addressing neighborhood trash, weeds, and other quality of life violations.

Our employees in the Codes Department are reorganizing the rental permit process and will be making regular monthly reports on the progress. As of January 15, 2009, approximately 1,200 housing permits were approved, 1,916 were waiting on zoning permits, 1,140 did not supply all required information, 6,887 permit applications were mailed to rental property owners, 6,203 are currently in the process, and 684 have chosen not to enter the process.

Speaking of housing, we encourage responsible real estate investors to invest responsibly and to make the City a good place to find decent, safe and secure housing.

At the same time we will work with the Our City Reading organization, with Habitat for Humanity, NHS, and other groups to help people understand the value of being a homeowner instead of renter. Owning a home is a commitment to a stable neighborhood. Youth with stability and roots are better able to resist the temptations of gangs and drugs, which often come with excessive mobility.

Public Works Department (Click For Info)

Public Works Department has been busy maintaining our roads, our parks, our playgrounds, our city office facilities, operating the waste water plant, and getting ready for the major upgrade at the sewer plant.

Economic Development Department

We continue to work with the Berks Economic Partnership, The Greater Reading Chamber of Commerce and Industry, Greater Berks Development Fund, County Community Development, developers, and other officials to help promote new jobs and to retain existing jobs.

You have seen development of the Buttonwood Gateway industrial area, with the addition of the Sun Rich Food facility, the construction of the new Hydrojet Building, and the continuing joint efforts with the county to address residential slum and blight in the area.

Just a few blocks away we saw the opening of the IMAX/Reading Movies 11, plus the completion of the new parking garage at Second and Washington Streets, and the new lighting in the Entertainment Square area.

Among private development projects are the new Berks County Community Foundation headquarters on North Third Street, (the first designed “from beginning LEED certified” building in the county), and the new Reading Eagle Press building that is nearing completion.

On Mt. Penn, we celebrated the 100th Anniversary of the Pagoda with new energy efficient LED lighting and much needed renovations to the building so that future generations will be able to enjoy this unique treasure.

The non-profit development group Our City Reading continued to renovate homes from HUD foreclosures, and is planning the new hotel on Penn Street with projected ground breaking this Spring.

[Community Development Department](#) (Click For Info)

[Fire and Emergency Services](#) (Click For Info)

Financial Situation

Over the past year, we held about two dozen meetings with neighborhood groups, the business community and with City Council. We outlined an impending crisis that needed action and we outlined four steps needed to be done as part of our commitment to the future of Reading.

We showed how the cost of public safety is escalating rapidly.

We showed a plan of action that had to be done.

We deposited the \$4,000,000 from the sale of Antietam Lake into the General Fund. We agreed that the proceeds from the sale of public use property like Antietam should be returned to improve public use facilities and floated a long term bond for the Pagoda, City Park Improvements and the Angelica Environmental Center.

We refinanced the City's debt to lower expenses incurred by the general fund (\$4,000,000) and asked the parking authority for a cash payment (\$4,000,000) for a positive swing of \$8,000,000 to the general fund.

The deepening and continuing financial crisis has made it even more difficult to get more one-time bond transactions or to continue to deplete funds from organizations like the Reading Parking Authority. Now you might ask... how did we get here?

The same things that impact every citizen impact us, but in addition we have greatly escalating costs of existing labor contracts including public safety, pension costs, fuel costs and health care costs.

How did we survive to this point? By completing a number of "once and done" transactions – for example, pension bonds, bond swaps, and refinancing of debt.

Most of these opportunities are gone now, swept away by the rising tide of debt and weak financial markets...

Early in the year, it appeared that a 50% property tax increase would be necessary to fill the gap for 2009, along with an increase in the Earned Income Tax of .2%.

After we made cuts in personnel and did not fill about thirty-three open positions, we determined in early October, 2008, that a 23% property tax along with .2% EIT increase would be necessary to not only balance the budget in 2009, but also to prepare us for what I call the elephant in the kitchen, the budget for 2010. It would be short-sighted not to face this directly.

We could not get consensus for these increases from City Council, who approved a 5% property tax increase that amounts to an additional \$25 per year for a home assessed at \$50,000, and no increase in EIT. A .2% increase in EIT would bring in about \$1,900,000.

The 5% increase in property tax will bring in only about \$750,000 to the city this year, versus the \$5,000,000 that we suggested was needed for 2009 and to prepare for 2010.

Nevertheless, moving forward with these restrictions, we have now begun to implement \$2,000,000 in cost reductions as of today.

Reductions in expenses will be made in all departments. All reductions have been discussed and debated with Department Directors in a roundtable discussion to an effort to make cuts that have the least impact on City operations. Reductions include personnel and operating expenses. The most difficult reductions in expenses involved the elimination of jobs.

Today we began the process of cost reduction:

- Today we informed the AFSCME union of our intent to outsource the division of traffic engineering thereby eliminating two jobs. We plan to implement that outsourcing in sixty days.
- We eliminated one manager in Community Development
- We eliminated two positions in the Library and one in Finance.
- We are not filling any vacancies in Fire, and are delaying hires in Police.
- With these positions and the vacant positions eliminated in 2008, we will have reduced City workforce by almost fifty in the last twelve months.
- I have frozen management salaries, except for those covered by contract, for a projected savings of \$77,000.
- All conferences and training not stipulated by contract or deemed

essential have been eliminated.

- We will be delaying acquiring equipment in Fire and Public Works for a savings of \$400,000.
- We will be eliminating temporary wages in Finance, Human Resources, Law and Public Works for a savings of \$106,000. This includes the elimination of the Park Security Program.
- My office and the Managing Director's office will be making various reductions of \$30,000.
- Total reductions for 2009 are \$2,019,335.

This "financial pandemic" hurts citizens as well as cities, but it pushes us to do business in a different way. The old ways of doing business will not alleviate the pain of this pandemic.

Over the past ten years, the percent of property tax used to fund Reading municipal government has dropped from 40% to less than 20%.

Property and Earned Income taxes are not keeping up with our costs. Let me show you some charts that show this graphically. (The charts follow this report.)

This means that we have had to fill in the gap with one-time fixes, or with raising the rates on things like real estate transfer tax, now the highest in the state, depending on the parking authority and water authority for additional funds, raising fees for permits, imposing new taxes, etc.

The natural growth for our city government has been about 5% over the last several years and with labor costs being about \$55,000,000 of the total \$70,000,000 budget.

On top of these challenges, we also face health care costs that are going out of sight, and there is the possibility of the city having to contribute an extra \$3,000,000 into the pension funds that already take about \$6,000,000 per year from our general fund as part of personnel costs.

At the same time, and in an unsteady financial climate, we are faced with trying to raise several hundred million dollars for the mandated renovation of the sewer plant and collection/pumping system.

So after all this, what can we do?

Following the pattern of city cooperation that got us a Route 222 Corridor Anti-Gang grant from the United States Department of Justice, I asked my fellow mayors in Easton, Bethlehem, Lancaster, and York to join the City of

Reading to help focus attention on the financial plight of our peer cities which are experiencing similar challenges.

This resulted in a joint project with the Pennsylvania League of Cities and Municipalities, the Pennsylvania Economy League, and the Pennsylvania Department of Community and Economic Development, in a joint financial and comparative analysis of the five representative third class cities.

That study is now nearly completed and we plan to use the results to inform the public and elected officials about what needs to be done at the state and federal level, since each of us is at the same precipice, some closer to the edge than others, Reading being one of the closest.

The worst case scenario could show us entering the year 2010 with a projected deficit of close to \$13,500,000 on a \$72,000,000 budget.

Note that we are not able to keep up with the normal 4-5% growth, and remember that the one-time fixes may not be so available to us in the future as they were in the past.

Another potential damaging financial impact is that over the last several months, the value of our pension funds has plummeted, just as the portfolios of many of you.

The difference is that by law, cities are required to fund the unfunded portion of the assets in the pension funds. That means in our case, about an extra \$3,000,000 in 2009 over and above the \$6,000,000 per year that we already put in.

An actuarial study will be done soon that will confirm the figure based on the number of retirees on the pension plan, their life expectancy, and the fund assets.

In 2009 we will also be wiping out completely the fund balance being carried into this year.

Since most of our costs are labor (presently \$55,000,000 out of \$70,000,000, or 78 %), a deficit of \$13,500,000 could mean as many as one hundred and fifty layoffs. This would most likely not take many essential employees in the water and sewer plants and represents one-third of the remaining city employees which today total about four hundred and fifty.

Police alone make up a staff of about two hundred and thirty including one hundred and ninety-eight officers, and to remove a large number of patrol officers from the street would be a potential disaster for the city.

State Level Action

Over the next several months, mayors from across the state will be petitioning the state for pension contribution relief. This in no way would jeopardize existing pensions or pensions over the next several years, only to ask for relief from what is known as the MMO, or minimum municipal obligation.

Another option being looked at is the possibility of the state passing enabling legislation to allow local municipalities to enact a local option one percent sales tax.

This would be similar to what is already in place and is successful in Pittsburgh and Philadelphia, but it needs a referendum in the counties and the process will take time.

Another real possibility is for us to apply for Act 47 “distressed city” relief at the state level. We are already enrolled in and have the support of a program from the state.

That is called the Early Intervention Program, essentially a prelude to Act 47. A list of the cities and municipalities in either Act 47 or in the Early Intervention Program is at the end of this report.

The first phase of the EIP for Reading (jointly with Berks County) consisted of a study to determine the financial condition and make recommendations for the City Finance Department and Police Department.

The second phase now under way is a “fines and fees” study, and a draft has been presented to City Council. We anticipate presenting the final study to City Council by the end of February with recommendations of fees to be enacted by the end of the first quarter.

Their recommendations mirrored many of the recommendations of two reports from the Pennsylvania Economy League, some of which were accomplished and many of which were not done by City Council and City Administration.

Local Options and Discussions

Over the next several months we plan to discuss options with the county and with private firms to take over non-core operations of the City, such as

library and recreation and to see what other financial tools can be used to fill the deficit looming on the horizon.

One analysis has already been done by the Reading Parking Authority on a long term sale lease back arrangement. That will be studied carefully to see if the benefit outweighs the costs.

Similarly, regarding water and sewer, I will be asking the county commissioners to study a county-wide water and sewer system, which could be an authority run by the county, marketed widely to each municipality, with financial incentives to encourage them to join a single county-wide consolidated water/sewer system.

With the majority of system owned by the City of Reading, there could be initial infusion of cash to the City plus a long term payout on an annual basis to the City to recognize the investment we have made over the years, but essentially this would become a county system.

Unfortunately, all of these will take time to study from a technical and financial point of view, and there has to be incentives for everyone to make it work.

We will be asking the “not for profit” institutions in our City for additional financial help from them using as a model what is happening in other cities where many such institutions have stepped up their financial support.

At the federal level, we will work with other municipalities to get funding for the COPS program restored and for an increase in CDBG funds.

So in summary, we have made progress in most areas of public safety, but we have challenges we must face.

Our economic development is moving along strongly, and in addition to the hotel planned for 7th and Penn, I am optimistic that we will be able to have a developer invest in the area along the river to make this a more attractive and happening place.

We are also hopeful that the Obama administration will assist cities with a substantial increase in Community Development Block grant funds so we can take some of the pressure off the general fund, especially in the area of public safety, public works and recreation.

We need to eliminate overlapping services, to cooperate locally and to remove barriers to progress.

I ask everyone to be part of the solution. Get an understanding of the problems, volunteer for boards, authorities and commissions, run for public office, study the issues, and support our efforts to build a better community for future generations.

I am confident that just as our forefathers overcame major challenges over the past 262 years, we will do so as well.

Thanks to all of you for your interest and support of this great city as we work our way through this financial turmoil.

Thomas M. McMahon
Mayor of the City of Reading
January 26, 2009

References:

Links to Reading Eagle Articles Jan 14, 2009 on Home Security Systems (courtesy of Reading Eagle Company at www.readingeagle.com):

- 1) Keeping Your Home Secure
<http://readingeagle.com/article.aspx?id=121167>
- 2) High Tech Systems are Always on Guard
<http://readingeagle.com/article.aspx?id=121164>

Public Works

2008 Accomplishments

- Pagoda rehabilitation
- Duryea Drive guardrail installation
- Playground rehabilitations (City Park, Brookline, Hillside)
- Certification for all Supervisors and Managers at the Waste Water Treatment Plant
- Converted boilers and heaters at the Waste Water Treatment Plant to burn bio-gas (byproduct of treatment process) to reduce fuel costs

2009 Projects

- City Park Bandshell and Pond renovations

- Playground rehabilitations (Essick, 3rd & Spring, Baer, Northmont)
- Complete Waste Water Treatment Plant design
- Groundbreaking for the Utility, Laboratory, and Sewer Building
- Complete study for the development of a storm water utility

For more information contact the Director of Public Works Charles Jones at 610-655-6610 or charles.Jjones@readingpa.org

Community Development

2008 and 2009 Projects

City Park - Improvements include natural and man made elements such as trees, retaining walls, berms, swales, grading, fencing, lighting, and other recreational amenities.

Northmont Playground - Installation of new playground apparatus, safety surface, site furnishings, ball field backstop, fencing, and ADA accessibility improvements.

Handicap Ramps – The installation of 81 more handicap ramps will be done throughout the city for better availability/accessibility.

Code Enforcement - Inspection for code violations and enforcement of codes in deteriorating or deteriorated areas. (62,082 people reside in the “service” area).

Community Policing - Program using a non-traditional community policing style in three select areas of the City.

Human Relations Commission – Fair housing education and enforcement in order to increase the amount of decent housing.

Millmont RAFT - Public service funding for City Recreation's RAFT Program. RAFT is a program for children and teens ages seven through 18.

Olivet - provide recreation services, drug, alcohol, and violence prevention programs, employment training, and social programs.

RBI Organizers - RBI is a Not-for-Profit organization whose mission is to create a cleaner, safer, more vibrant community through education, empowerment and neighborhood organizing.

Recreation NEAR - The City Recreation Office's Neighborhood Educational, Activity and Recreation Center (N.E.A.R.) Program is a structured educational and mentorship program offered to children and teens ages six through 17.

NHS home ownership assistance – provides down payment and closing costs assistance to low mod income home buyers.

NHS Major System Program - Funding for elderly persons who own and occupy homes in need of major systems repair or replacement in order to achieve compliance with housing code for the repair or replacement of heating, plumbing, and/or electrical systems or roofs.

Residential Façade Improvements - Restoration of building facades to HARB standards. The objective is decent housing. The outcome is availability/accessibility. The indicator is 10 housing units.

NHS CHDO Set Aside (HOME funded) - Acquisition, rehabilitation, and resale of housing units to low moderate income households. (1 unit)

Habitat For Humanity (HOME funded) - Acquisition of property to build new housing units for low moderate income households. (4 units)

Reading Revitalization (HOME funded) - Acquisition, rehabilitation, and resale of housing units to low moderate income households. (22 units)

Opportunity House Operations (ESG funded) - Provide essential services to homeless individuals, families, and operating costs of the emergency shelter facility.

Emergency Demolition - Emergency demolitions ordered by City Building Inspector.

Goggle Works 108 loan payment – The 108 loan requires the creation of 123 jobs.

Hydrojet 108 loan payment - The 108 loan requires the creation of 63 jobs.

KVP 108 loan payment - The 108 loan requires the creation of 200 jobs.

Reading's Future 108 loan payment - Requires the creation of 150 jobs.

Sun Rich 108 loan payment - The 108 loan requires the creation of 83 jobs.

Main Street Program - The City of Reading working in conjunction with the Reading Downtown Improvement District (DID) and the Berks Economic Partnership decided to use the Main Street Approach and pursue a Main Street Grant from the Commonwealth.

Neighborhood Stabilization Program - The City is applying for NSP funding (Neighborhood Stabilization Program) through the DCED in efforts to acquire, rehabilitate, and resale housing units within two specifically identified targeted areas in the City. The proposed funding will also go to the acquisition and demolition of abandoned and vacant units as well as possible environmental reviews and associated administrative costs.

Façade Improvement Program - in 2008 there were 6 commercial façade projects completed or underway during the year (including the Liberty Fire Company's Façade Improvement project) and 7 residential façade projects competed or underway

Buildings and Trades – seamless transition and integration of building and trades division and zoning office into CD department. Buildings and trades are fully certified through ICC and L&I to take care of residential, commercial and industrial project inspections work in the city of Reading.

Provide Inspection and Enforcement – support to Blighted Property Review Committee to address blight abatement in the city of Reading.

Zoning and Planning Historical Preservation – Historical Architectural Review Board reviewed 108 cases last year. Goal for 2009 is to complete the development and enact a Satellite Dish Ordinance in order to control the proliferation of satellite dishes being installed on the front facades of buildings within the four historic districts.

Housing

- Preservation of the existing affordable housing stock.
- Development of affordable housing, especially with non-profit organizations.
- Increase homeownership for lower income households through homebuyer assistance and new construction.
- The development of rental housing. In the City of Reading, rental housing development will be limited to elderly and special needs.
- Continued modernization of public housing units and development of resident services.

Homeless

- Increase permanent supportive housing and services for homeless and special needs populations.
- Improve coordination and communication among homeless and supportive service providers
- Work toward ending chronic homelessness

Non-Housing Community Development Priorities

- Provide financial support for public services that meet identifiable community needs.
- Provide financial assistance and technical support for public facility and infrastructure improvements.
- Foster local economic development and downtown revitalization.

(For more information contact the Community Development Director, Marty Mayes at 610-655-6211 or marty.mayes@readingpa.org)

Human Resources

2008 Accomplishments:

- Update of obsolete employee handbook (handbook was from the 1970s)
- Preparation and presentation on Harrassment
- Preparation and presentation of Diversity
- Developed Training Plan for all Departments
- Continue to Develop and Implement HPO Process

HR 2009 Goals:

- Implement Customer Service Training
- Implement Ethics Training
- Continue to Develop and Implement HPO Process in the City of Reading
- Continue with the City's Diversity Efforts and develop our Affirmative Action Plan
- Continue with Safety Awareness Efforts, Committees, and Training

(For more information contact the HR Director, Christine Wheelen at 610-655-6416 or christine.wheelen@readingpa.org)

Fire Safety and EMS Services

Past Year 2008

- There were no civilian fire fatalities in the City of Reading
- The Department received five new pumper engines
- An additional fire prevention lieutenant was promoted, which almost doubled fire inspections and investigation and their corresponding fees and permit revenue.
- EMS revenue was \$3.14 million.
- An entry-level civil service test for new firefighters (to replace vacancies) drew more than 400 applicants.

Goals for 2009

- Prevent fire fatalities and reduce civilian injuries.
 - Reduce the number of fires by 10%.
 - Increase EMS revenue by 10% (\$300,000)
 - Increase fire prevention permit and fee revenue by 10% (\$25,000)
 - Begin construction of the new Southwest Fire Station at 101 Lancaster Ave. in November.
-

Early Intervention and Act 47 Municipalities

Early Intervention Program

FY 04-05

Lawrence County
Luzerne County
Venango County/Oil City/Titusville (Joint Project)
Easton City
Allentown City
Butler City
Nanticoke City – Now Act 47 municipality
New Castle City – Now Act 47 municipality
York City
Reading City/Berks County (Joint Project)
Erie City

FY 05-06

Jefferson County
Lehigh County
Lebanon City
Sharon City
Meadville City
Beaver Falls City
Washington City
Penn Hills
Ambridge Borough
Dormont Borough
Midland Borough

FY 06-07

Cameron County
Washington County
Clarion Borough
Clearfield Borough
Connellsville City
Lancaster City
Hanover Township
Elizabeth Borough
Allentown City – Phase 2
Butler City – Phase 2
Titusville City – Phase 2
York City – Phase 2
Easton City – Phase 2
Sharon City – Phase 2
Penn Hills – Phase 2

FY 07-08

Altoona City
Coatesville City
Norristown Borough
Plains Township
Sunbury City
Coopersburg Borough
Muhlenberg Township
Shamokin City
Blair County

Harrisburg City
Rochester Borough
Adams County
Potter County

FY 08- 09 to date

Pottstown Borough
McKeesport City
Reading City – Phase 2
York City – Phase 2
Shamokin City – Phase 2
Erie City – Phase 2
Jefferson County – Phase 2
Sharon City – Phase 2